

THE CHINESE UNIVERSITY OF HONG KONG

ITC Technology Start-up Support Scheme for Universities

Guidelines

(Last update: 23 January 2015)

1. Introduction

- 1.1. The Innovation and Technology Commission (ITC) has set up a new Technology Start-up Support Scheme for Universities (TSSSU) from the Innovation and Technology Fund (ITF) to encourage students and professors from six local universities to start technology businesses and commercialise their R&D results.
- 1.2. As with other institutions under the new scheme, TSSSU will be available to CUHK, on a reimbursement basis for expenses incurred in the corresponding year, up to HK\$4 million per year, initially for three Government financial years of 2014-15, 2015-16, and 2016-17 (year end on 31 March), to support technology ventures from the CUHK community. TSSSU implementation is currently on its second year.
- 1.3. At CUHK, the TSSSU is operated through the Office of Research and Knowledge Transfer Services (ORKTS), and governed by the Committee on Advancement of Student Innovation and Entrepreneurship (CASIE). The deadline for CUHK recommendation of companies to ITC is 13 March 2015. As between ITC and CUHK, in case there is any disparity between the ITC TSSSU Application and Reimbursement Guidelines and the Guidelines in this document, the former should prevail.
- 1.4. The vetting panel will include also representatives from Hong Kong Science and Technology Parks Corporation (HKSTPC). Applicant teams will be evaluated independently by HKSTPC for admissions to an incubation programme in addition to the TSSSU programme. Successful applicant teams can decide whether to accept the offers from HKSTPC.

2. Funding Scope

- 2.1. A successful application (“Start-up”) received for this year 2015-2016 may be funded for up to two years. A technology start-up funded in 2014-2015 should resubmit an application to CUHK in order to receive continued funding, subject to an annual evaluation with other new applications. The annual funding is capped at HK\$500K. The operating budget (“Budget”) submitted along with the application must comply with the TSSSU funding criteria, with milestones approved by a Vetting Panel appointed by CUHK. The decision of the Vetting Panel is final and conclusive.
- 2.2. Items to be included in the Budget should be reasonable and proportionate in the following areas:
 - essential items for setting up and operating the Start-up (e.g. furniture and equipment, legal and accounting services, rental of necessary and suitable premises, manpower etc.);

- expenditure on R&D (e.g. manpower, equipment, other direct costs, etc.);
 - promotion of the Start-up and marketing of their project deliverables.
- 2.3. Funding will be allocated through upfront payment and instalments (refer to Section 8 about Risk Assessment) to the bank account of the Company (see 3.2) upon successful achievement of agreed milestones and compliance with the Budget. Twenty five percent (25%) of the last instalment will be temporarily withheld. Once all the receipts and invoices of the entire financial year are submitted and verified, the remaining unpaid expenditure will be reimbursed. All TSSSU-funded companies must return all unused upfront payment and instalment at the end of the financial year.
- 2.4. If the Company has made reasonable progress in its R&D work and/or business performance in the funded year as evidenced by its annual report, CUHK may recommend the Company for continued funding for the next year.
- 2.5. Any item already funded by the Government, a Government subvented body/institution or CUHK will NOT be funded by TSSSU (i.e. no double payment is allowed).
- 2.6. Following expenses are NOT supported by TSSSU:
- Rental expenses that are irrelevant to the operation of the Start-up;
 - Costs of forming associations or membership subscriptions;
 - Investment of any kind except for normal deposit of funds in the bank accounts of the Company;
 - Repayment of any loan (including but not limited to student loan) taken out by the Company and/or its members and employees, and/or any member of the Start-up team;
 - Any trip that is unnecessary or irrelevant to the execution of the operation of the Start-up;
 - Entertainment expenses that are unnecessary or irrelevant to the operation of the Start-up;
 - Fees charged to the Start-up arising from general services (e.g. office administrative services, etc.) provided by CUHK;
 - Any expenditure item that is unnecessary or irrelevant to the operation of the Start-up;
 - Any events or activities inconsistent with the laws or regulations of Hong Kong or other applicable jurisdictions.

Activities of the technology start-ups funded under TSSSU should primarily be conducted within the territory of Hong Kong. However, given the objective of TSSSU to support technology start-ups, up to 50% of the TSSSU funding provided to each technology start-up in each Government financial year can be incurred in the Mainland and other countries.

- 2.7. As in most start-up companies, founding members of the start-up company are financially rewarded primarily by the value of the company that they grow. While TSSSU fund can be used to pay salaries for founding members as well as employees of a company, a salary cap is set for the founding members who are granted shares.

Monthly salary for a founding member who has a bachelor degree: up to \$12,000

Monthly salary for a founding member who has a postgraduate degree: up to \$17,000

3. Eligibility

- 3.1. The technology involved in the application must be CUHK-related.
- 3.2. The applicant must be a company already registered under the Companies Ordinance for no more than 24 months before the date specified by ITC¹.
- 3.3. The number of shareholders of the Company must be at least two and can include CUHK alumni and individuals external to the CUHK community. Active members of CUHK (current students, professors, or alumni graduated within the last 12 months) should be the majority of shareholders of the Company.
- 3.4. Since a TSSSU applicant must be a registered company, CUHK academic staff members who desire to participate should consult the Personnel Office and the CUHK Staff Handbook for more information. Please refer to the FAQs in Appendix A that may answer some additional questions.
- 3.5. A Start-up team may have any mix of the following CUHK members:
 - (a) Undergraduates/graduates/postgraduates;
 - (b) Professor(s) to serve as consultant(s), providing technical expertise and direction of the R&D work; and/or
 - (c) Business savvy university alumni, giving business and management advice, etc.

For CUHK, the eligible status is defined automatically at the time when the application is submitted. A team member who is an academic staff member and also an alumnus/alumna will be considered a staff member (instead of an alumnus/alumna). CUHK academic staff must apply for Outside Practice/Out Business Activities (OP/OBA). Please refer to the FAQs in Appendix A.

- 3.6. The Start-up team must have a Person-In-Charge (“PIC”) who should be a Director of the Company with authority to sign on behalf of the company and legally bind the Company, and to engage in the Company’s business. The PIC is responsible for (a) overseeing the operations of the Company, and (b) liaising with ORKTS and ITC on matters relating to the funding under TSSSU. According to ITC, the PIC is required to hold a senior position with savvy knowledge of the technology start-up and can be reached by CUHK during normal business hours. The PIC MUST also be either a Professor or a student/graduate. A visiting professor whose contract with CUHK is scheduled to expire before the end of the current TSSSU financial year can serve only as a member but not a PIC. A research staff member (e.g. Research Associate, Research Assistant, Postdoc) can serve only as a member but not a PIC. Also, a full time CUHK employee, according to CUHK Staff Handbook, cannot work full time for the company. Please refer to the FAQs on appendix A that explains the full time nature of the PIC.

For the avoidance of doubt, the PIC CANNOT join other concurrently active teams under TSSSU.

¹ The relevant date for the 2014-15 Government Financial Year is 14 November 2014, whereas the relevant date for the 2015-16 and 2016-17 Government Financial Year is 15 March 2015 and 15 March 2016 respectively.

- 3.7. If the PIC withdraws from the Start-up team, the replacement must also be a member of CUHK as specified in 3.5 and 3.6 above for the Company to remain eligible under TSSSU.

4. Screening Criteria

The Vetting Panel will take the following into account during assessment of applications.

4.1. Innovation and technology content

- Potential for knowledge transfer;
- Intellectual property position, including patents, copyrights, trademark, know-how, etc.;
- Stage of technology development and readiness for application;

4.2. Commercial viability of the business

- Well-defined business and budget plan;
- Well thought-out market analysis (e.g. opportunities, entry barriers, competitions, etc.);
- Viable and realistic milestones and deliverables;
- Potential in generating economic impact;
- Whether the Company has secured other sources of funding apart from the TSSSU;

4.3. Team expertise and commitment

- R&D and management capabilities of the team;
- Drive and commitment of team members;

4.4. The social and/or community impact of the start-up's R&D project(s)

- Products and services that improve the quality of human life;
- Positive social impact to the society;

4.5. CUHK specific requirements

- Whether the technology involves CUHK intellectual property ("IP").

5. Application Procedures

5.1. The Applicant is required to complete an application form according to the template in **Annex A**.

5.2. The Applicant is required to state clearly concrete project milestones and a budget showing all expenditures and justifications. The budget must be consistent to the Funding Scope as stipulated in Section 2.

5.3. The application form, with endorsement from an authority of the relevant Department and Faculty in Section F and/or Appendix, and Supporting Documents as listed in Section C of Annex A, must arrive in ORKTS at **Rm 301, Pi Ch'iu Building** by **5:00pm on Friday, 13 February 2015²**.

² Late submission will NOT be accepted. Company Registration document should be ready before submission to ITC by 15 March. Companies should proceed to apply for bank account number immediately after documents are ready.

5.4. All applications will be reviewed by the CUHK members of the Vetting Panel. Shortlisted applicants will be invited to attend an interview to give a short presentation and answer questions in front of the full Vetting Panel including external advisors.

6. Result Announcement

6.1. Results will be announced **in the first week of March 2015**. Applicants will receive a confirmation email from ORKTS. Successful applicants are required to confirm whether they accept the fund within THREE calendar day after result announcement.

6.2. Revised budgets, if required, must be submitted to ORKTS via email before **5:00pm on Thursday, 12 March 2015**.

7. Rules and Conditions for Awarded Teams

7.1. All awarded Companies are required to enter into an Award Agreement with CUHK upon confirmation from ITC of their eligibility and applications.

7.2. The awarded companies will be continually monitored and assessed by ORKTS. Awarded companies are required to complete and submit to ORKTS the following documents:

- An annual reimbursement request (**Annex B**) submitted before 31 May for the expenditure incurred during the reimbursable period³ of the previous Government financial year, when the related activities have been conducted and the related services and goods have been delivered.
- Auditor's reports and audited accounts of expenditures (see **Annex C** Notes for the Auditors) Technology start-ups should handle the keeping of books and records, etc. to facilitate auditors to conduct a reasonable assurance engagement in accordance with the requirements stipulated in Annex C.
- Reports on the progress of the business submitted bi-annually and endorsed annually by the Faculty authority, and submitted to ORKTS and Bursary for assessment.
- Reports on matters such as new IP generation, incomes and revenues of the business, etc. in **Annex D(ii)**.

7.3. CUHK will appoint a Business Consultant to assist and monitor the development of the awarded companies. The Business Consultant and any authorized person acting on behalf of the Government shall be allowed to perform random checks of documents, records, etc. of the awarded companies to ensure their compliance with the guidelines and requirements relevant to TSSSU.

³ The reimbursable period refers to the period from the day ITC notifies CUHK of funding support to the technology start-up, to the end of the relevant Government financial year.

- 7.4. If any CUHK IP is involved, the companies should make necessary licensing arrangement according to CUHK IP Policy. If any non-CUHK IP ownership is involved, the companies are responsible to conduct all necessary due diligence and clear all IP related issues prior to the application.
- 7.5. CUHK reserves the right to own a certain percentage of shares in an awarded company. Such arrangement will be made on a case-by-case basis.
- 7.6. Any significant modification to the recommended business proposal of a start-up (including but not limited to change of key team members of the start-up, deliverables, business scope, or the amount of the TSSSU funding, etc.) will require prior approval from CUHK.

8. Risk Assessment

- 8.1. Once an application is approved for TSSSU, the CUHK Business Consultant may conduct a risk assessment to determine the overall risk level of the Company.
- 8.2. The result (risk level) of this assessment does not determine eligibility for funding but will affect, among other things:
 - (a) The frequency of progress reporting;
 - (b) How often the instalments can be provided to the Company;
 - (c) The amount of funds to be held back (holdback);
 - (d) The frequency of site visits; and
 - (e) The need to submit documents and proofs for supporting claims.

9. Intellectual Property

- 9.1. A TSSSU-funded company is encouraged to adopt existing CUHK IP. In doing so, the company should contact ORKTS to obtain a proper license before using the CUHK IP to develop a product. Likewise, if the company shall adopt non-CUHK IP, the company must obtain proper licenses from the relevant outside parties before using such IP.
- 9.2. CUHK does not automatically claim ownership rights on new IP that is conceived and developed independently by students and alumni during the operation of the Start-up. However, if new IP is conceived by a CUHK professor or researcher and the new IP is related to his or her employment with CUHK, the IP belongs to CUHK.
- 9.3. For CUHK postgraduate students who have been granted graduate assistantships or research assistantships and may have signed a patent/copyright release at the time of appointment, the IP of their invention during the course of the operation of the Start-up may belong to CUHK.
- 9.4. New IP jointly conceived and invented by a company with a CUHK employee in a TSSSU funded Start-up shall belong jointly by the company and CUHK. Such jointly invented new IP must be reported to ORKTS of CUHK as soon as the IP is conceived.

9.5. Other IP issues can be found in the CUHK's *Policy on Research, Intellectual Property, and Knowledge Transfer* ("CUHK IP Policy").

10. Publicity and Acknowledgement

10.1. As requested by ITC, acknowledgment of ITF support should appear on all equipment, facilities, publications, publicity and media events related to a TSSSU-funded Start-up.

10.2. Similarly, acknowledgment of CUHK should also appear on the list of materials listed in item 10.1.

10.3. The following disclaimer should be included in any publications and media events related to an ITF-funded start-up –

'Any opinions, findings, conclusions or recommendations expressed in this material or publication (or by members of this company) do not reflect the views of the Government of the Hong Kong Special Administrative Region or the Innovation and Technology Commission.'

11. Enquiries

Office of Research and Knowledge Transfer Services, The Chinese University of Hong Kong

Address: Room 301, Pi Ch'iu Building, CUHK
Tel: (852) 3943 9881
Email: orkts@cuhk.edu.hk
Website: www.cuhk.edu.hk/orkts

Appendix A

Frequently Asked Questions

QUESTION: As a TSSSU-funded project team must register as a company, how can a full time CUHK employee (e.g., a professor or researcher) participate in a TSSSU-funded company?

ANSWER: A CUHK professor or researcher who will be financially compensated or rewarded by the Company (e.g., receiving a salary or Company shares) must apply for Outside Practice (“OP”) or Outside Business Activities (“OBA”) with the Personnel Department of CUHK. CUHK’s policy for OP and OBA has rules that limit the remunerative participation of a CUHK employee in external companies. Please note that the rules OP/OBA for Teaching Staff (professors) and Research Staff are different in terms of flexibility.

For further details, please contact the Personnel Office for the relevant University Policy.

QUESTION: I am not familiar with the process of starting a company and relevant rules and procedures. Where can I obtain this information?

ANSWER: Training sessions will be organized to familiarize applicants with essential procedures.

<http://www.orkts.cuhk.edu.hk/knowledge-transfer-initiatives/events>